

Message Text

SECRET

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20

ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 048949

R 021043Z DEC 74
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 8796
INFO AMEMBASSY SEOUL
AMEMBASSY TAIPEI

S E C R E T SECTION 1 OF 2 BANGKOK 18881

EXDIS

DEPARTMENT PLEASE PASS TO: SECDEF AND CINCPAC

E.O. 11652: GDS
TAGS: MOPS, TH
SUBJECT: USG FOLLOW-UP TO VISIT BY DEPUTY SECRETARY CLEMENTS A
PART II - SELF-SUFFICIENCY

REF: BANGKOK 18617 NOTAL

1. DEPUTY SECRETARY CLEMENTS, IN MEETINGS WITH MINISTER OF DEFENSE KHRUAN AND DEPUTY FOREIGN MINISTER CHATCHAI IN OCTOBER, UNDERTOOK TO HELP THE RTARF MEET THE NEED FOR REPLACEMENT OF OBSOLETE WEAPONS AND FOR SPARE PARTS, ESPECIALLY IN CONNECTION WITH COUNTER-INSURGENCY OPERATIONS. AT SAME TIME, THE THAIS ASKED FOR ASSISTANCE IN STRENGTHENING RTARF'S SELF-SUFFICIENCY IN WEAPON AND SPARE PARTS PRODUCTION; DEPUTY SECRETARY CLEMENTS ASSURED THEM OF USG WILLINGNESS TO HELP, AND DESCRIBED IN DETAIL POSSIBILITIES FOR JOINT VENTURES AND/OR TURNKEY ARRANGEMENTS IN WHICH US PRIVATE CAPITAL COULD BE USED TO BUILD UP RTARF MILITARY PRODUCTION FACILITIES.

2. THAI INTEREST IN INCREASING SELF-SUFFICIENCY WILL INTENSIFY AS MAP DECLINES, AND US ASSISTANCE WITH THE DEVELOPMENT OF THAI DEFENSE PRODUCTION CAPABILITIES WILL HELP TO REDUCE THE ADVERSE IMPACT ON US INTERESTS THAT

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MUST BE ANTICIPATED AS US AID TO THAILAND DWINDLES.

3. AS PRACTICAL MATTER, OF COURSE, A STRATEGY FOR FOSTERING A HIGHER DEGREE OF SELF-SUFFICIENCY FACES MAJOR CONSTRAINTS, INCLUDING THE NARROW BREADTH AND DEPTH OF THE RTARF MILITARY "MARKET" OF ABOUT 202,000 MEN, AND THE VAST RTARF INVENTORY OF WEAPONS, VEHICLES, AIRCRAFT, AND EQUIPMENT WHICH, BECAUSE OF RELATIVELY LOW DENSITY OF INDIVIDUAL ITEMS TOGETHER WITH THE LOW LEVEL OF INDUSTRIAL TECHNOLOGY IN THAILAND, CAN FOR THE MOST PART BE SUPPORTED ONLY FROM HIGHER TECHNOLOGY BASES IN THE US OR IN THIRD COUNTRIES.

4. GIVEN FOREGOING, WE BELIEVE THAT WHILE THE USG OBJECTIVE SHOULD BE TO BROADEN AND TO DEEPEN IN-COUNTRY, OR REGIONAL, PRODUCTION OF MILITARY SUPPLIES AND EQUIPMENT, THE RTARF WILL FOR THE FORESEEABLE FUTURE REMAIN DEPENDENT ON FOREIGN SOURCES FOR ACQUISITION OF, AND SUPPLY SUPPORT FOR, MAJOR INVESTMENT ITEMS. SELF-SUFFICIENCY EFFORTS SHOULD THEREFORE BE FOCUSED ON FIELDS WHERE THERE IS SCOPE FOR GREATER THAI PRODUCTION TO INCLUDE SMALL ARMS AND AMMUNITION. WE SEE FOLLOWING AS SOURCES OF ADDITIONAL DOMESTIC OR REGIONAL PRODUCTION AT THIS TIME:

A. NEW OR INCREASED PRODUCTION BY THAI DEFENSE CONTRACTORS.

B. NEW AND/OR INCREASED PRODUCTION IN RTARF FACTORIES AND ARSENALS, POSSIBLY WITH MAP OR FMS (CASH AND/OR CREDIT) ASSISTANCE.

C. PRODUCTION IN NEW LOCALLY BASED DEFENSE PLANTS, OWNED IN PART BY FOREIGN, INCLUDING US, COMMERCIAL INTERESTS OR FOREIGN GOVERNMENTS.

5. IN ADDITION TO COMMERCIAL JOINT VENTURE/TURNKEY PROJECTS, UNDER A OR C ABOVE, NEW AND/OR ADDITIONAL PRODUCTION IN RTARF FACTORIES AND ARSENALS (POSSIBLY IN NEW TURNKEY PROJECTS) PROBABLY OFFERS A RAPID AVENUE FOR BROADENING THE SELF-SUFFICIENCY BASE. RTARF LEADERS HAVE LONG WISHED TO HAVE A GREATER CAPABILITY TO PRODUCE WEAPONS AND AMMUNITION, AND MAP FUNDS HAVE BEEN, AND CURRENTLY ARE, ALLOCATED FOR SUCH PROJECTS. WE SHOULD THEREFORE SEEK TO FURTHER EXPLOIT THE
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EXISTING INDUSTRIAL BASE AND TO CHANNEL THE SELF-INTEREST OF RTARF LEADERS IN THE DIRECTION IN WHICH WE SEEK TO MOVE, ACCEPTING THE FACT THAT SOME PROJECTS ENVISIONED BY THE THAIS -- SUCH AS A \$4 MILLION HAND GRENADE FACILITY -- CAN NOT PROVE COST EFFECTIVE INITIALLY IN PURELY ECONOMIC TERMS.

6. IN REGARD TO FOREIGN PARTICIPATION POSSIBILITIES, A NUMBER OF GOVERNMENTS IN EAST ASIA, PARTICULARLY THE

GOVERNMENT OF THE REPUBLIC OF KOREA AND THE GOVERNMENT OF THE REPUBLIC OF CHINA, MIGHT BE INTERESTED IN PURSUING MILITARY CO-PRODUCTION ARRANGEMENTS OR TRADE-OFFS OF MILITARY ITEMS WITH THE RTARF, MAINLY FOR POLITICAL REASONS, BUT ALSO FOR MILITARY AND COMMERCIAL REASONS. CO-PRODUCTION AGREEMENTS IN PARTICULAR MIGHT IMPROVE THE COST EFFECTIVENESS OF PROJECTS, SUCH AS THE GRENADE PLANT, WHICH ARE TOO LARGE AND TOO COSTLY FOR THE RTARF "MARKET" ALONE, AND THIS MIGHT IN TURN FREE RTG FUNDS FOR FMS PURCHASE OF MAJOR INVESTMENT ITEMS.

7. IN LIGHT OF FOREGOING, WE SHOULD, PROVIDED THE DEPARTMENT, EMBASSIES TAIPEI AND SEOUL, AND THE RTG CONCUR, PURSUE ACTIVELY WITH THE GOVERNMENTS OF THE ROK AND ROC, THE REGIONAL CO-PRODUCTION LINE OF INQUIRY AS A TYPE OF MUTUALLY BENEFICIAL ACTIVITY LIKELY TO CONTRIBUTE SIGNIFICANTLY TO THE RTARF'S SELF-SUFFICIENCY POSTURE. LATER WE MIGHT WISH TO FOSTER SIMILAR CONTACTS WITH OTHER GOVERNMENTS IN SEA, POSSIBLY THROUGH SEATO OR ASEAN CHANNELS.

NOTE BY OCT: NOT PASSED SECDEF AND CINCPAC.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 021043Z DEC 74
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 8797
INFO AMEMBASSY SEOUL
AMEMBASSY TAIPEI

S E C R E T SECTION 2 OF 2 BANGKOK 18881

EXDIS

DEPARTMENT PLEASE PASS TO: SECDEF AND CINCPAC

8. AS NEXT IMMEDIATE STEP, WE PLAN TO PICK UP OPTION EXTENDED BY RTG DEFENSE MINISTER GENERAL KHRUAN DURING CLEMENTS VISIT FOR USG/RTG REVIEW OF POSSIBILITIES OF

FOSTERING GREATER DEGREE OF INDUSTRIAL SELF-SUFFICIENCY FOR RTARF, AND TO ASK GENERAL KHRUAN TO DESIGNATE ACTION OFFICER WITH WHOM EMBASSY/MACHTAI WORKING GROUP CAN REVIEW RESULTS OF INITIAL THINKING OF US SIDE ON THIS SUBJECT.

9. INTENT OF FOLLOW UP DISCUSSIONS WILL BE TO OBTAIN RTARF VIEWS AND PRIORITIES ON SELF-SUFFICIENCY. WE WILL THEN BE IN POSITION TO MAKE REALISTIC ESTIMATES OF COSTS, AND PROSPECTS FOR SUCCESS, OF SPECIFIC PROJECTS ON WHICH TO CONCENTRATE JOINT USG/RTG EFFORTS. THAIS WOULD, OF COURSE, PREFER THAT USG PAY FULL COSTS OF SUCH PROJECTS, AND WILL UNDOUBTEDLY TRY PERSUADE US TO DO SO.

10. IN DISCUSSING MILITARY SELF-SUFFICIENCY CONCEPTS WITH THE MINISTRY OF DEFENSE, WE PLAN TO CONSIDER THE POSSIBILITY OF BLENDING PURELY MILITARY INDUSTRIAL INTERESTS WITH (1) THE PROBLEM OF UNEMPLOYMENT, PARTICULARLY OF SKILLED WORKERS, ASSOCIATED WITH THE WITHDRAWAL OF US FORCES, AND (2) THE COUNTER-INSURGENCY PROBLEM.

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11. IN OUR DISCUSSIONS WE WILL URGE MOD TO CONSIDER LOCATING NEW DEFENSE PRODUCTION FACILITIES AT AIR BASES ALREADY VACATED, SUCH AS TAKHLI, OR THOSE IN PROCESS OF BEING VACATED, SUCH AS UBON, WHERE EXISTING BUILDINGS AND ELECTRIC POWER FACILITIES MIGHT REDUCE UTIAL CONSTRUCTION COSTS, AS WAS DONE WITH THAI-AM FACILITY AT UDORN. WE WILL ALSO URGE THE MOD TO COORDINATE SUCH PLANS WITH THE NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT BOARD, AND, TO THE DEGREE THAT INSURGENT AREAS MIGHT BE A LOCUS OF NEW INDUSTRIAL ACTIVITY, WITH THE INTERNAL SECURITY OPERATIONS COMMAND.

12. IN TERMS OF JOINT VENTURES, WE WILL, AFTER REACHING AGREEMENT WITH THE RTARF ON ITEMS WHICH MIGHT LEND THEMSELVES TO LOCAL PRODUCTION, APPROACH AMERICAN CHAMBERS OF COMMERCE IN BANGKOK AND ELSEWHERE IN ASIA IN THE HOPE OF INTERESTING US FIRMS IN SUCH VENTURES. EMBASSY WILL ALSO REPORT THESE TO COMMERCE AS TRADE OPPORTUNITIES, AND WILL LOOK FORWARD TO WASHINGTON'S

ASSISTANCE IN FINDING INVESTORS TO RESPOND TO THESE OPPORTUNITIES.

13. LIST OF PROPOSED PROJECTS FOLLOWS BY POUCH.
MASTERS

NOTE BY OC/T: NOT PASSED SECDEF,CINCPAC.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, ARMS, MILITARY EQUIPMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 02 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BANGKO18881
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740348-0604
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741269/aaaacgyl.tel
Line Count: 221
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: BANGKOK 18617 NOTAL
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 07 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Aug-2002 by kelleyw0>; APPROVED <17 MAR 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USG FOLLOW-UP TO VISIT BY DEPUTY SECRETARY CLEMENTS A PART II - SELF-SUFFICIENCY
TAGS: MOPS, MASS, OVIP, TH, US, DOD, (CLEMENTS, WILLIAM P JR)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005